

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

FRANK D. SEINFELD,)	
)	
Plaintiff,)	
)	
v.)	C. A. No. 05-298-JJF
)	
CRAIG R. BARRETT, CHARLENE)	
BARSHEFSKY, E. JOHN P. BROWNE,)	
D. JAMES GUZY, REED E. HUNDT,)	<u>PUBLIC VERSION</u>
PAUL S. OTELLINI, DAVID S. POTTRUCK,)	
JANE E. SHAW, JOHN L. THORNTON,)	
DAVID B. YOFFIE, ANREW S. GROVE,)	
and INTEL CORPORATION,)	
)	
Defendants.)	

**DECLARATION OF GABRIELLE THOMPSON
IN SUPPORT OF DEFENDANTS' OPPOSITION
TO MOTION FOR SUMMARY JUDGMENT**

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Dated: July 25, 2005
Public Version dated: August 1, 2005

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

FRANK D. SEINFELD,)	
)	
Plaintiff,)	
)	
vs.)	Case No.: 05-298 (JJF)
)	
CRAIG R. BARRETT, CHARLENE)	
BARSHEFSKY, E. JOHN P. BROWNE,)	Jury Trial Demanded
D. JAMES GUZY, REED E. HUNDI,)	
PAUL S. OTELLINI, DAVID S. POTTRUCK,)	
JANE E. SHAW, JOHN L. THORNTON,)	
DAVID B. YOFFIE, ANDREW S. GROVE, and)	
INTEL CORPORATION,)	
)	
Defendants.)	

**DECLARATION OF GABRIELLE THOMPSON IN SUPPORT OF
DEFENDANTS' OPPOSITION TO MOTION FOR SUMMARY JUDGMENT**

I, Gabrielle Thompson, declare as follows:

Background

1. I have personal knowledge of the facts stated in this declaration and, if called as a witness, I could and would testify to these facts.

2. I have been employed in the Compensation and Benefits group at Intel Corporation ("Intel") since 1995.

3. I am Director of Worldwide Compensation and Benefits at Intel. My responsibilities include, among other things, general responsibility for all issues relating to Intel's executive compensation, including the preparation of information used by Intel's Compensation Committee in making executive compensation decisions. I have been responsible for preparing this information since mid-2002.

Intel's Compensation Philosophy

4. Intel's compensation philosophy is that long-term incentive compensation should be closely aligned with the shareholders' interests, and therefore compensation should vary with Intel's performance in achieving financial and non-financial objectives. Intel's key strategic compensation design priorities are alignment with shareholders' interests, pay-for-performance, employee retention, cost management, egalitarian treatment of employees, and continued focus on corporate governance.

The Executive Officer Incentive Plan ("EOIP")

5. Intel's executive officers, as determined by the Compensation Committee, are eligible to participate in the EOIP.

REDACTED

6. The Compensation Committee undergoes a rigorous process to calculate and determine payments under the EOIP. This process begins with the application of a three-part formula in the EOIP based on: (1) the executive officer's annual incentive baseline amount, (2) Intel's Earnings Per Share ("EPS") and (3) a factor pre-established each year by the Committee (the "Performance Factor").

7.

REDACTED

When determining the annual performance factor, the Compensation Committee considers Intel's past financial performance, its internal estimates of current year financial performance, and the competitiveness of its executive officers' base salary and incentive baseline amounts compared to its peer groups.

8.

REDACTED

For purposes of the EOIP, EPS is the

greater of Intel's operating income or Intel's net income divided by Intel's weighted average of common shares outstanding (assuming dilution).

9. The Committee may adjust Intel's operating income or its net income based on objective criteria selected by the Committee in its sole discretion and in compliance with IRS regulations. These adjustments may include, but are not limited to, asset write-downs; litigation; claim judgments, settlements or tax settlements; the effects of tax law changes, changes in accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; gains or losses on investments; acquisition-related costs; and any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in Intel's annual report to shareholders for the applicable year.

10. Once the EPS-based component has been calculated and adjusted, the Compensation Committee can begin to make decisions as to the amounts, if any, to be awarded each executive officer under the EOIP. Under the EOIP formula, the individual's incentive baseline amount is multiplied by Intel's EPS and the Performance Factor.

REDACTED

Under Section 12 of the EOIP, executive officers do not accrue or receive a vested right in their EOIP payout until the actual payout is made to the officer.

11. After Intel calculates the individual incentive amounts under the EOIP formula, the Committee reviews and authorizes each participant's actual incentive payments. Importantly, the Compensation Committee has the discretion to decrease (but not increase) a participant's incentive payment from the amount calculated using the EOIP formula.

REDACTED

REDACTED

The Employee Bonus Plan ("EB")

REDACTED

Application of the EOIP Formula in Performance Year 2005

16. The Compensation Committee set Paul Otellini's base salary for 2005 at \$550,000 per year, effective as of January 1, 2005. Effective June 1, 2005 following his promotion to Chief Executive Officer, his base salary increased to \$650,000 per year. In addition to base salary, Mr. Otellini's individual incentive baseline amount for 2005 under the EOIP was set at

\$600,000 from January 1, 2005 to May 31, 2005. Effective June 1, 2005, his incentive baseline amount increased to \$750,000.

17. The Compensation Committee set Craig Barrett's base salary for 2005 at \$610,000, and set his individual incentive baseline amount for 2005 under the EOIP at \$700,000. As with Mr. Otellini, his actual payout under the EOIP will be determined in early 2006 based on Intel's performance for 2005.

Application of the EOIP Formula in Performance Year 2004

REDACTED

20. In January 2004, the Compensation Committee established individual incentive baseline amounts ranging from \$100,000 to \$610,000 for each of Intel's executive officers and set the performance factor as 2.98 for the 2004 performance period, a 15% reduction from 2003. This reduction meant that, assuming all other factors remained constant, EPS had to increase 15% in performance year 2004 beyond 2003 EPS in order for the officers to receive the same EOIP payments.

21. The 2004 financial results yielded an EPS based on operating income of \$1.56, which exceeded net income per share of \$1.16 and led to an EPS value under the EOIP formula of \$1.56 to be used for determining the maximum incentive amount.

22. For the 2004 performance year, the top five most highly compensated officers were eligible to receive the following amounts under the EOIP:

REDACTED

25. For performance year 2004, the top five officers had a significant portion of their total cash compensation variable and dependent upon Intel's performance:


<u>Officer</u>	<u>Total Cash Compensation</u>	<u>Percentage of Cash Comp. Performance- Based under EOIP</u>
Craig R. Barrett	\$2,454,000	72%

REDACTED

REDACTED

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

July 21, 2005



Gabrielle Thompson

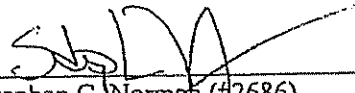
IN THE UNITED STATES DISTRICT COURT
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CERTIFICATE OF SERVICE

I do hereby certify that, on July 25, 2005, the within document was filed under seal with the Clerk of Court using CM/ECF which will send notification of such filing to the following; that the document was served on the following counsel as indicated; and that the document is available for viewing and downloading from CM/ECF.

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I do hereby certify that, on August 1, 2005, the within document was filed with the Clerk of Court using CM/ECF which will send notification of such filing to the following; that the document was served on the following counsel as indicated; and that the document is available for viewing and downloading from CM/ECF.

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